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# Keene Housing Authority

***Providing affordable housing in the Monadnock Region.***

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**Testimony of P. Curtis Hiebert**  
  
**for the**  
  
**Subcommittee on Federalism and the Census,**  
  
**House Committee on Government Reform**  
  
**May 10, 2006**



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Mr. Chairman and Subcommittee members, thank you for the opportunity to testify. I am Curt Hiebert from the Keene, NH Housing Authority. I have been the Executive Director and CEO of the Keene Housing Authority for the last 19 years, and have been in executive leadership positions of other small housing authorities for the last 25 years. The KHA is a small housing authority that is typical of the vast majority of housing authorities across the country, and I welcome this opportunity to take part in this oversight hearing of issues that negatively affect the operations and in some cases the very existence of small housing authorities.

The KHA operates 226 units of Public Housing, and administers over 400 units of Section 8 Tenant based assistance. In addition, we own or manage 4 LIHTC (Low Income Housing Tax Credits) developments, conventionally financed housing, administer the CDBG (Community Development Block Grant) program for the City of Keene, and provide coordination of services for our families and elderly. The KHA is also one of the original 24 Moving to Work Demonstration sites (MTW program), and our entire Public Housing and Section 8 programs are integrated into the MTW program. Since 1999, this program has resulted in significant positive changes in not only our ability to administer our federal housing programs, but has also dramatically changed the ability of our residents and Section 8 participants to stabilize their housing situations and achieve self sufficiency.

Approximately 2500 of the over 3300 Housing Authorities across the country have less than 250 units of Public Housing. I do not presume to speak for all of them, but the KHA faces the same issues they do, and I would like to share some of those issues with you. The KHA is one of the smallest Housing Authorities to participate in the MTW program, and our statistics and numbers may be insignificant compared to some of other figures you have heard or will hear from other Housing Authorities containing many more units or from much larger communities. I cannot emphasize enough, however, that to a smaller community or a smaller Housing Authority, the loss of a seemingly small amount of funding or the addition of significant and unnecessary administrative burden can result in a proportionately large reduction in their ability to serve their residents and program participants. The vast majority of Housing Authorities, and smaller ones in particular, are well run, administratively lean, and struggling under reduced funding accompanied by increased micromanagement and “one size fits all” regulations designed to deal with extremely large cities or Housing Authorities that have problems not applicable to those smaller communities or Housing Authorities.

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) overhauled the Public Housing and Section 8 programs, and consisted of many individual initiatives. In earlier testimony by Rod Solomon, this Committee heard that the QHWRA had four basic objectives:

1. Improving or replacing the public housing stock
2. Promoting self-sufficiency and poverty deconcentration
3. Improving Public Housing management

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4. Improving the Section 8 Voucher program.

The point was also made by Mr. Solomon that even after 7 years, and even though regulations are not in place with respect to significant aspects of QHWRRA, that there has been a huge positive difference in Public Housing and Section 8 management, despite the continuation of negative public and even institutional perception.

However there continue to be several instances of serious concern for the industry regarding the need for simplifying and making federal housing programs more efficient and effective:

Part of QHWRRA's stated purpose and strategies were:

- *“deregulating and decontrolling public housing agencies, thereby enabling them to perform as property and asset managers”*
  - HUD's response to this purpose is the currently proposed Project Based Accounting and Property Based Management regulations. Although touted as being “formulated with industry input” the more accurate statement would be that it was “formulated over industry concerns and objections”. This incredibly convoluted and complex process of accounting, instead of merely applying currently acceptable GAAP accounting principles, sets up a massive prescriptive and proscriptive process. Even though smaller housing authorities have simpler procedures than larger ones, the entire process will burden smaller housing authorities and complicate larger ones. The end result is the exact opposite of “deregulating and decontrolling”. Project based management is supported by housing authorities, but if its purpose is to identify and dispose of properties that do not sustain themselves, the end result of reduced operating and capital funding by HUD will result in a dramatic reduction of the extremely valuable resource that the Public Housing industry represents. It does not take the proverbial rocket scientist to understand that, for instance, it takes more time and effort to manage, maintain, and capitalize family housing than it does to manage housing occupied by the elderly.
  - RECOMMENDATION: Reduce the micromanagement of the currently proposed PBA/PBM regulations, allow the Congressionally mandated Housing Subsidy recalculation go forward as approved in the negotiated rule making, and allow HA's to operate under GAAP principles like virtually every other non profit in the country.
- *“providing for more flexible use of Federal assistance to public housing agencies, allowing the authorities to leverage and combine assistance amounts with amounts obtained from other sources...”*
  - The KHA has been fortunate in the past 10 years and has benefited by the diversification of our funding base to include other sources of revenue than just Public Housing and Section 8. A number of Moving to Work contracts allow the flexibility of combining funding to maximize their efficiency in local areas and programs. Most smaller HA's have not had the same opportunities or ability to do either of these, or are now looking to explore innovative and creative means of carrying out their local missions. HUD must realize, and doesn't seem to, that

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- HA's are not HUD employees, but have powers and existence separate from their HUD funded programs. Despite the stated HUD policy of encouraging leveraging of private funds, the HUD IG's office has been very vocal and active in criticizing the practice and even the theory of such activity, citing the "endangering of Public Housing assets". There is now a draft HUD directive that seems to echo those concerns.
- RECOMMENDATION: HUD should encourage, rather than discourage carefully thought out and reasonable efforts to diversify and fund housing management and development. Congress should legislate if necessary permission for local HA's to do so.
  - *"creating incentives and economic opportunities for residents of dwelling units assisted by public housing agencies to work, become self-sufficient, and transition out of public housing and federally assisted dwelling units."*
    - The current rent system for Public Housing and Section 8 has resulted in a system that encourages deceit, confuses applicants, tenants, housing authority staffs, policy makers and the general public. There are significantly different rents for virtually identical housing, the system punishes work, and the system not surprisingly results in errors.
    - HUD forms and tracking insist upon knowing every single transaction involving any member of the approximately 3.2 million participating households. An increase or decrease of income, change in family composition, child care expenses, medical expenses, etc must all be reported, filled out on a 14 page form, verification obtained, and transmission to HUD files completed. The question should be asked whether this level of information is needed.
    - RECOMMENDATION: The KHA and several other MTW housing authorities have developed effective alternative rent structures that preserve affordability, encourage self-sufficiency, provide a safety net for those that have circumstances beyond their control or fixed incomes, and increase housing choice among its participants. Since 1999 when the KHA began its program, there have been a number of changes in our programs and their effects:
      - In 1999, 46% of our families were working full time, now there are 65% working full time
      - Since 1999, average family income has increased by almost 30%
      - The KHA has been able to issue more Section 8 subsidies than our funding would have allowed under existing Section 8 Housing Choice Voucher regulations.

## FINAL RECOMMENDATION:

To conclude, I believe that HUD has lost its compass in following the directive of QHWRA to devolve policy implementation and deregulate and decontrol HA's as they manage public housing, Section 8 and other assisted housing initiatives. The department has become increasingly directive and intrusive in the daily operation of local agencies, even attempting to influence or control uses of

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non-HUD and non-federal resources. Three steps available to the Congress to encourage HUD to return to the path laid out by QHWRA are:

- 1) to expand the Moving to Work initiative and make it permanent, and support the Small Housing Authority Paperwork Reduction Act
- 2) to reform the assisted housing rent structure and
- 3) to assure that assisted housing programs have adequate and predictable resources that are fairly and responsively distributed.

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Thank you again for this opportunity to share my views, and I would be glad to supply further discussion or materials if there are any questions.

### BACKGROUND AND SUPPORTING INFORMATION:

For over 70 years, local governments have established local housing authorities (HA's) pursuant to state enabling legislation to respond to specific, idiosyncratic local housing needs. HA's are still being formed by localities to address issues of housing availability, affordability and conditions. The Keene City Council established the Keene Housing Authority in 1967, and my agency was chartered with the mission to:

- ...directly or in collaboration with others, to provide and/or advocate for:*
  - *Decent, safe and affordable housing for individuals, families, elderly and disable persons of low to moderate income with the Monadnock region;*
- And;*
- *To provide and/or advocate for any and all services and programs that will assist in improving the social and economic welfare of such individuals and families.*

Over the years, the KHA has taken many different steps to accomplish goals in support of that mission that include the development of Public Housing, administration of the Section 8 Certificate and Voucher programs, development of conventional and LIHTC (Low Income Housing Tax Credits) housing for families and elderly, the development of a Congregate Housing Services Program for Public Housing, the provision of afterschool programs for at risk youth, and most importantly, the development and administration of our SPECTRUM Housing Program authorized by the Moving To Work Demonstration. Some of these efforts have been supported by federal policy and funding, some by the state, and some have been strictly local efforts. This diversity of approaches is one of the great strengths of the housing policy implementation network comprised of over 3,000 HA's nationally. No two of these institutions are identical. They are as diverse as the local housing issues they confront every day. In Keene, we face challenges of an extremely low vacancy rate or about 1% in rental housing, and high costs for those that are available in ways that are in some cases the same, but in a lot of cases differ from of our neighbors in New Hampshire and our colleagues throughout the United States.

### FORMATION AND PURPOSE OF PUBLIC HOUSING AUTHORITIES:

Through the U.S. Department of Housing and Urban Development (HUD), the federal government has supported several initiatives that assist local agencies in pursuing their missions and achieving their goals. The two primary initiatives used by many HA's are the Public Housing and the Housing Choice Voucher programs. However, although these programs are central to local efforts to improve housing availability, affordability, and condition, Public Housing Authorities were not established and maintained solely to act as implementation agents for federal housing policy.

Since HA's are political subdivisions of each of their states established at the request of local government to address local housing needs; uniform, "one size fits all" national standards fail to support the most effective attack on aggregated local housing problems. Unfortunately, the value of

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a locally planned and developed approach to addressing diverse local housing needs (with the exception of the small Congressionally mandated MTW Demonstration Program) has been lost on HUD. Instead, the department has historically viewed HA's exclusively as its agents, and has endeavored to limit their discretion and constrain the variety of approaches HA's have used to address local needs. Local discretion and central control have tended to come in cycles, the most recent movement toward discretion starting in the late 80's, encouraged by the reinvention movement and an assessment by the National Academy of Public Administration, and culminating with adoption by the Congress of the Quality Housing and Work Responsibility Act of 1998. Unfortunately, since passage of QHWRA, HUD has appeared to be increasingly reluctant to implement elements of the Act that provide flexibility, and has moved to increasingly intrusive and directive involvement in the day-to-day operation of HA's. This intrusive intervention has reached beyond the initiatives supported by federal funding. HUD has undertaken to influence the availability and uses of local, state and other federal resources not under HUD's authority.

However, there remain, particularly for those 3000 small and medium sized Housing Authorities, a number of serious issues that not only intrude upon the successful attainment of those regulatory goals, but in some cases threaten the ability of the HA's to continue operating federal housing programs.

I want to highlight a few examples of HUD's increasingly intrusive and punitive approach to its HA partners. First, HA's have come under increasing scrutiny as HUD has initiated a number of new review processes. HA's welcome HUD review of their work, feedback concerning its quality, and suggestions for improvement. However, a recently initiated ongoing comprehensive compliance review process is burdensome and duplicative. Many HA's have received letters from HUD Field Offices providing them with two weeks notice of a comprehensive compliance review, and requiring them to prepare volumes of financial, policy and procedural information for the reviewers. The department certainly has the right and authority to review all of the material under review, but these requests cover material already in HUD's possession and impose preparation requirements unrelated to the conduct of the reviews. HA's have received no review protocols or standards.

Rental Integrity Monitoring (RIM) reviews are a component of the department's Rental Housing Income Integrity Program (RHIIP). Field Office staffs have conducted detailed reviews of rent calculations and related verifications of participant characteristics in an effort to improve the accuracy of subsidized housing rent calculations and the accuracy of subsidy payments. HA's support and contribute significant resources to furthering the goal of setting accurate rents, and together HUD and HA's have substantially reduced erroneous subsidy payments. However, HUD's implementation of RIM reviews has involved untrained and inexperienced reviewers who have produced findings requiring remediation by HA's that have had no bearing on the accuracy of rent calculations. Rather, many findings have involved technical compliance matters many of which are open to local HA discretionary decision making. For example, some RIM review findings involved miscalculation of participants' assets too small to effect rent calculations in any way. Other findings concerned the adequacy of verifications HA's received for matters unrelated to eligibility or rent calculation. All of these review findings required lengthy responses from the reviewed agencies, along with the preparation and implementation of a series of corrective actions satisfactory to the

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department. During the RIM review process, HUD threatened to modify some agencies' Section 8 Management Assessment Program (SEMAP) scores retroactively, and some agencies voluntarily withdrew SEMAP certifications, lowering those scores unnecessarily, to reduce the administrative burdens resulting from RIM reviews.

Second, for over 15 years HUD has collected extensive information concerning public housing and Housing Choice Voucher program participants through the 50058 system. Form HUD – 50058 has become a 14-page form that agencies must submit electronically every time any participant's characteristics change and at least once each year. Although I have no doubt that HUD must gather basic information on program participants to fulfill its oversight responsibilities, I view some information gathered by the 50058 as redundant and irrelevant to HUD's responsibilities. A number of technical issues with HUD's web based 50058 submission system further complicates the information collection system, and as with its review processes, HUD has imposed punitive reporting standards and sanctions in the event that HA's are unable to successfully submit 95 percent of the 50058 data required of them. Sanctions can include loss of public housing and voucher funding.

Third, in its implementation of the recently revised Operating Fund eligibility formula, HUD's efforts to micromanage HA's daily operations have become oppressively burdensome. Every HA will be required to submit financial statements for each public housing property to HUD in the future, raising the number of financial statements HUD receives from approximately 3,000 to over 18,000. The department is preparing to implement a project based accounting and asset management in ways only remotely related to private sector models which include highly prescriptive accounting requirements and illegitimate restrictions on HA's' uses of their funds. For example, the department has proposed that HA's be prohibited from using state and local resources in otherwise allowable activities in their public housing operations.

These three examples of HUD's recent initiatives clearly fly in the face of the movement to deregulate, decentralize, decontrol, and devolve public housing operations over the last 10 years and embodied in the QHWRRA in 1998.

As an alternative to HUD's recent approaches to its HA partners, I would like to propose consideration of three policy alternatives much more in keeping with the spirit of QHWRRA than the department's recent behavior.

First, as the Keene Housing Authority is a Moving to Work agency, I am convinced that the MTW model offers the federal government a significant opportunity to free HA's to meet local housing needs in more responsive, effective, and efficient ways. MTW has allowed participating agencies to negotiate series of waivers of broad federal requirements in order to experiment with housing subsidy delivery in innovative and locally responsive ways. Each MTW agency prepares an Annual Plan for its assisted housing program with substantial local public input, including input from housing program participants and applicants, and each agency then reports to HUD on its progress in accomplishing its plans at the end of every year. A national assessment of MTW found that for MTW agencies that had modified their rent structures, there was no evidence of any adverse



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impacts on participating families of those changes, and agencies have reported that their communities are very satisfied with outcomes of their changes. At the present time, only 32 HA's in the nation have been fortunate enough to be designated MTW agencies, and only 27 of those still participate in that program. This experiment deserves expansion and restructuring to permit rigorous assessments of local and national impacts. Because of its participation in MTW, the Keene Housing Authority has been able to expand housing opportunities, encourage participants to increase their incomes, and eliminate a significant amount of the administrative burden imposed under routine HUD administration.

Second, rent structures in assisted housing programs are complex and burdensome for HA's and for participants, they encourage deceit, are unfair to participants, penalize work and two-parent families. Currently, HUD defines the income on which HA's base rents using over 40 exclusions and deductions that complicate the policy and confuse everyone. The Public Housing Authorities Directors Association has proposed reform of the existing assisted housing rent regime and put forward two potential alternative systems to rectify the current problems. Reform of the rent structures in assisted housing would contribute significantly to achieving goals of deregulation and devolution put forward in QHWA.

Finally, HA's rely on federal resources to support assisted housing programs that require reliable and stable funding. HUD uses formulas to determine the annual funding needs of the Operating Fund, the Capital Fund, and the Voucher Fund. However, the department has routinely neglected to request appropriations from the Congress to support these formula estimates of need. HUD must request and Congress must do its best to appropriate the resources required to maintain a national public housing stock of approximately 1.2 million apartments and an inventory of over 1.8 million Housing Choice Vouchers. Approximately half of this national inventory of deeply assisted housing shelters elderly and disabled households. In addition to funding adequacy, I urge that funding remain stable and predictable to offer HA's the opportunity to operate local programs optimally. Without both adequate and stable funding, HA's will tend to behave conservatively and unnecessarily constrain costs and housing assistance available in the communities they serve. With adequate appropriations, HUD must then fairly distribute resources to HA's in reasonable proportion to the needs of those agencies.

This Committee should support the Small Public Housing Authority Paperwork Reduction Act.

This Committee should support the permanence and expansion of the Moving to Work Program. The current Moving to Work Demonstration program has resulted almost universally in the expansion of opportunities for residents, efficient utilization of resources, and easing of administrative burdens for housing authorities. This program should be expanded to at least 250 housing authorities of all sizes to allow for better use of federal resources